

Message Text

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INFO OCT-01 ISO-00 L-03 H-02 CIAE-00 DODE-00 INR-07

NSAE-00 PA-01 USIA-06 PRS-01 SP-02 AID-05 EB-07

NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

COME-00 FRB-03 XMB-02 OPIC-03 LAB-04 SIL-01 AGR-05

OES-03 INT-05 FEA-01 TAR-01 NEA-10 /110 W

----- 062994

R 022100Z SEP 75

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 7015

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L SECTION 1 OF 3 QUITO 6475

E.O. 11652: GDS

TAGS: EALR ECIN EINV ENRG ETRD EGEN EC

SUBJECT: ECUADOR'S ECONOMIC TRENDS, STATUS AND PROSPECT

REF: QUITO 6429

1. SUMMARY: REFTEL PROVIDES A BROAD-BRUSH DESCRIPTION AND ANALYSIS OF THE RODRIGUEZ LARA REGIME'S ECONOMIC PERFORMANCE AND MALPERFORMANCE. THE PURPOSE OF THIS PRESENT TELEGRAM IS TO ADD A MORE DETAILED ACCOUNT OF ECUADOR'S ECONOMIC TRENDS, STATUS AND PROSPECTS, TAKING INTO ACCOUNT SOME OF THE UNCERTAINTIES (AND A FEW CERTAINTIES) GENERATED BY THE SEPTEMBER 1 COUP ATTEMPT.

2. THE MAIN THREAT TO ECUADOR'S ECONOMIC WELL-BEING--THE SHARP DROP IN ITS FOREIGN EXCHANGE RESERVES DURING CY 1975 SO FAR--SEEMS LIKELY TO DISSIPATE DURING THE REMAINDER OF THIS YEAR. THE RESUMED LEVEL OF OIL EXPORTS, THOUGH NOT OPTIMAL, CAN BRING IN LARGE ENOUGH EARNINGS TO OVERCOME THE CURRENT TRADE DEFICIT AND TO REVITALIZE THE BUDGETS OF THE GOVERNMENT AND OF THE NUMEROUS QUASI-GOVERNMENTAL AND
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INDEPENDENT AGENCIES THAT SHARE THE OIL EXPORT EARNINGS.

THE RECENT OVERLY-STRONG UPSURGE IN IMPORTS SEEMS LIKELY TO MODERATE APPRECIABLY, HAVING BEEN GENERATED TO SOME EXTENT BY IMPORTERS' ANTICIPATION OF IMPORT CURBS, AND NOW BEING SUBJECTED TO CURBS CONSIDERABLY MORE SEVERE THAN THE IMPORTERS HAD ANTICIPATED. OUR ANALYSIS INDICATES THAT THE CURBS WILL NOT SIGNIFICANTLY FEED THE FLAMES OF INFLATION, AND THAT INFLATION WILL IN FACT DECELERATE FROM THE 1974 RATE BECAUSE OF THE STABLE CONDITION OF THE COUNTRY'S MONEY SUPPLY. THE DOMESTIC ECONOMY SEEMS LIKELY TO CONTINUE TO BOOM, DESPITE APPARENT SHORTAGES OF SOME RAW MATERIALS AND OF LABOR, AND WITH SOME POCKETS OF STAGNATION SUCH AS THE TEXTILE SECTOR. THE BOOM IS CONTINUING TO GENERATE STRONG FLOWS OF REVENUES INTO THE GOVERNMENT'S COFFERS.

3. HAVING SURVIVED THE COUP ATTEMPT THE RODRIGUEZ REGIME IS LIKELY TO TAKE ACCOUNT OF THE FACT THAT AT LEAST THE TIMING OF THE COUP ATTEMPT WAS DETERMINED BY THE DISCONTENTS OF THE PRIVATE SECTOR AS REGARDS, INTER ALIA, THE NEW IMPORT SURCHARGES AND THE REGIME'S HARSH TREATMENT OF FOREIGN OIL COMPANIES. IT IS MORE LIKELY THAT THE REGIME'S ATTITUDE WILL IMPROVE AS REGARDS THESE AND OTHER KEY ECONOMIC ISSUES THAN THAT THE REGIME WILL RISK SERIOUS FURTHER CONFRONTATION WITH THE PRIVATE, PRODUCTIVE SECTORS OF THE ECONOMY. END SUMMARY.

4. IMPACT OF RECENT TRADE TRENDS ON FOREIGN EXCHANGE RESERVES:

A. THE MOST SIGNIFICANT BALANCE-OF-PAYMENTS EVENT HAS BEEN THE SHARP DROP IN EXPORT EARNINGS, MAINLY IN OIL EXPORT EARNINGS. EXPORT LICENSES LIQUIDATED DURING THE FIRST HALF OF CY 1975 TOTALED \$373 MILLION, A DROP OF ALMOST EXACTLY \$250 MILLION FROM THE SAME PERIOD OF 1974, WITH OIL ACCOUNTING FOR NO LESS THAN \$233 MILLION OF THE FALL. MEANWHILE, IMPORT LICENSES LIQUIDATED WERE VALUED AT \$434 MILLION, A RISE OF \$178 MILLION OVER THE FIRST HALF OF 1974. ON THIS BASIS OF LICENSES LIQUIDATED (DATA ON ACTUAL TRADE ARE NOT AVAILABLE), THE BALANCE OF TRADE IN THE FIRST HALF OF 1975 THUS YIELDED A DEFICIT OF SOME \$62 MILLION, AS COMPARED WITH A SURPLUS OF ABOUT \$350 MILLION IN THE SAME PERIOD OF 1975.

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B. THE TRADE DEFICIT ACCOUNTS FOR ABOUT HALF OF THE SHARP DROP IN FOREIGN EXCHANGE RESERVES DURING THE FIRST HALF OF 1975, A DROP FROM \$340 MILLION AT THE START OF THE YEAR TO \$197 MILLION AS OF JULY 24. CURRENT DATA ON OTHER B/P ACCOUNTS NOT BEING AVAILABLE, WE CANNOT SAY WHAT CAUSED THE OTHER HALF OF THE DROP.

5. PROSPECTS FOR TRADE AND FOREIGN EXCHANGE RESERVES:

A. WHILE IMPORT LICENSES LIQUIDATED ARE THE BEST INDICATOR WE HAVE OF CURRENT TRADE DEBITS, THE ISSUANCE OF IMPORT LICENSES HAS PROVEN TO BE A GOOD PREDICTOR OF FUTURE TRENDS. LICENSES ISSUED IN THE FIRST SIX MONTHS OF 1975 WERE UP 25 PERCENT OVER LAST YEAR, WITH JUNE 1975 BULGING 40 PERCENT OVER JUNE 1974. AT THIS RATE, THE MINISTER OF FINANCE PREDICTED, IMPORTS DURING ALL 1975 WOULD REACH \$1 BILLION.

B. EVEN NOW, HOWEVER, THE TRADE ACCOUNT COULD END THE YEAR IN ROUGH BALANCE. THE MINISTER PROJECTED OIL EXPORTS TO TOTAL \$500 MILLION FOR THE YEAR, AND ALL OTHER EXPORTS AT \$440 MILLION, FOR A TOTAL OF \$940 MILLION. WE BELIEVE THIS TOTAL COULD BE ACHIEVED, AND PERHAPS SURPASSED, PROVIDED THAT OIL PRODUCTION IS SUSTAINED AT THE 210,000 BPD RATE. ON THE OTHER SIDE OF THE LEDGER, IF IMPORT LICENSES ISSUED IN THE SECOND SIX MONTHS EQUAL THOSE OF THE FIRST SIX MONTHS, THEN TOTAL 1975 IMPORT PERMITS WOULD BE \$1,046 MILLION. (THE PROJECTION OF EQUAL PERMITS FOR THE SECOND HALF IS REASONABLE IN THAT THE NORMAL SECOND-HALF SEASONAL GROWTH WILL BE OFFSET SOMEWHAT BY THE RESTRICTIVE EFFECT OF THE NEW TARIFF SURCHARGES, AND BECAUSE MANY OF THE PRMITS TAKEN OUT IN THE FIRST HALF REPRESENT ACCELERATEION OF IMPORTS IN ANTICIPATION OF IMPORT-RESTRICTING MEASURES.) IMPORT LICENSES AT THE \$1,046 LEVEL ARE NOT LIKELY TO RESULT IN ACTUAL IMPORTS (I.E., LIQUIDATIONS) IN EXCESS OF \$900 MILLION IN CY 1975, BASED ON PREVIOUS EXPERIENCE.

C. EVEN IF TRADE IS THUS IN BALANCE OR IN SMALL SURPLUS CONDITION FOR THE YEAR, FOREIGN EXCHANGE RESERVES WILL REMAIN UNCOMFORTABLY LOW. NET RESERVES (IMF DEFINITION) ARE NOW LESS THAN TWO MONTHS IMPORTS, AND THE POSSIBLE TRADE SURPLUS WILL NOT, IN ALL LIKELIHOOD, PUSH THEM UP MUCH ABOVE THE THREE MONTHS LEVEL.

D. THE RODRIGUEZ LARA REGIME BEGAN EFFORTS AS LONG AGO AS
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LAST OCTOBER TO OBTAIN SUBSTANTIAL LOANS FROM ABROAD. OUR UNDERSTANDING IS THAT SAUDI ARABI AND KUWAIT PROMPTLY TURNED DOWN THE GOE'S REQUESTS; IRAN HAS NOT YET DECIDED HOW MUCH, IF ANY, IT SHOULD RISK HERE; AND VENEZUELA IS MULLING OVER THE GOE'S REQUESTS, HAVING AGREED SO FAR ONLY THAT THE GOE MAY FLOAT BONDS IN THE VENEZUELAN MARKET. THERE HAS BEEN INFORMED SPECULATION THAT A FOREIGN BANK LOAN OF \$200 MILLION, PROBABLY FOLLOWING THE WELLS FARGO-PERU MODEL, WOULD BE MADE. WHILE THIS WOULD STRENGTHEN THE RESERVE POSITION, HELP REDUCE SPECULATION AND NORMALIZE IMPORTING UNDER THE NEW STRUCTURE OF DUTIES, WE DO NOT SEE IT AS ESSENTIAL TO THE RODRIGUEZ LARA PROGRAM.

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NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

COME-00 FRB-03 XMB-02 OPIC-03 LAB-04 SIL-01 AGR-05

OES-03 INT-05 FEA-01 TAR-01 NEA-10 /110 W
----- 063373

R 022100Z SEP 75

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 7016

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6. PROSPECTS RE INFLATION.

WE DO NOT FORESEE A SIGNIFICANT ACCELERATION OF INFLATION RESULTING FROM THE NEW TARIFF SURCHARGES REPORTED IN QUITO A-82. IN BROAD TERMS, THE TARIFF CHANGES WILL INCREASE THE PRICE OF IMPORTS BY SOME 12 PERCENT. SINCE IMPORTS NOW ACCOUNT FOR ABOUT ONE QUARTER OF TOTAL SUPPLY TO THIS ECONOMY, THE AVERAGE PRICE IMPACT OF THESE MEASURES SHOULD BE IN THE RANGE OF 3 PERCENT; AND SINCE THE CONSUMER PRICE INDEX HERE IS BASED ON A LOWER AND MIDDLE INCOME BASKET OF GOODS WITH HEAVY WEIGHT GIVEN TO DOMESTICALLY-PRODUCED GOODS, THE MEASURED IMPACT ON THE INDEX WILL BE EVEN SMALLER, ESPECIALLY IN THE SHORT RUN. (ISSUANCE OF THE WHOLESALE PRICE INDEX WAS SUSPENDED OVER THREE YEARS AGO.) WE WILL RETURN TO THE TOPIC OF INFLATION IN OUR DISCUSSION ON MONEY SUPPLY, BELOW.

7. BUDGETARY TRENDS AND PROSPECTS.

A. THE MINISTER OF FINANCE IN HIS RECENT DEFENSE OF THE INCREASED DUTIES DID NOT JUSTIFY THEM AS A GOVERNMENT BUDGET REVENUE MEASURE, ALTHOUGH HE ADMITTED THAT THE BUDGET WAS IN DEFICIT DUE TO THE REDUCED GOVERNMENT REVENUES FROM THE
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PETROLEUM SECTOR. THE SHORTFALL OF OIL REVENUES ACCRUING TO THE REGULAR CENTRAL GOVERNMENT BUDGET IN THE FIRST SIX MONTHS WAS THE EQUIVALENT OF \$50 MILLION. IN GOE CASH METHODOLOGY (WHERE BORROWINGS AND AMORTIZATIONS ARE LUMPED TOGETHER WITH ORDINARY INCOME AND CURRENT EXPENSE), ACCORDING TO THE MINISTER, THE FIRST HALF YEAR'S BUDGETARY PERFORMANCE WAS A DEFICIT OF ONLY 140 MILLION SUCRES, OR \$5.6 MILLION, AS EXPENDITURES WERE ALSO LOWER THAN BUDGETED. THE CY 1975 BUDGET DECREE (SEE OUR A-6) PLUS EARLY AMENDMENTS PROGRAMMED AN EXPENDITURE LEVEL (GOE METHODOLOGY) OF 16,000 MILLION SUCRES, OF \$640 MILLION. THE GOE SUBSEQUENTLY CUT SOME 1,500 MILLION SUCRES (\$60 MILLION) AND HAS BEEN PLANNING FURTHER CUTS OF 300 MILLION SUCRES (\$12 MILLION, FOR A PLANNED LEVEL OF OUTGO OF 14,200 MILLION SUCRES (\$568 MILLION). THE GOE ESTIMATE OF 13,200 MILLION SUCRES (\$528 MILLION) IN CASH RECEIPTS, INCLUDING DOMESTIC BORROWING, WOULD RESULT IN A SHORTFALL OF 1,000 MILLION SUCRES (\$40 MILLION.

B. THE BUDGETARY BIND HAS BEEN REFLECTED IN: SLOW-DOWNS OF GOE PAYMENT OF ITS BILLS (E.G., IN AT LEAST TWO RECENT INSTANCES THE GOE TREASURER HAD TO HAVE HIS ARM TWISTED BY THE EMBASSY AND OTHER INTERESTED PARTIES BEFORE HE AGREED TO ISSUE OVERDUE LETTERS OF CREDIT COVERING CONTRACTS THE GOE HAD ALREADY SIGNED WITH U.S. COMPANIES); REDUCTIONS OF PLANNED PUBLIC-SECTOR PURCHASES (E.G., THE MINISTRY OF PUBLIC WORKS' REDUCED BY HALF ITS PLANNED \$60 MILLION PURCHASES OF ROAD CONSTRUCTION EQUIPMENT--SEE QUITO 3627-- AND A \$2.2 MILLION ORDER FOR TWO EXECUTIVE JET AIRCRAFT, WHICH WERE TO HAVE BEEN USED AS PRESIDENTIAL TRANSPORTS, HAS BEEN CANCELLED--SEE QUITO 4321); AND A WEAKENING OF THE GOE'S STANDARD TERMS AND CONDITIONS IN ITS UNDERTAKING OF LOANS (E.G., IN TAKING ON A LOAN FROM FIRST NATIONAL CITY BANK TO COVER PURCHASES OF A-37 AIRCRAFT, THE GOE FOR THE FIRST TIME ACQUIESCED IN THE BANK'S INSISTENCE THAT THE GOE WAIVE SOVEREIGNTY RIGHTS, I.E., THAT LOAN AGREEMENTS INCLUDE A CLAUSE PROVIDING THAT ANY DISPUTES OVER THE LOAN BE SETTLED IN U.S. RATHER THAN ECUADOREAN COURTS.

C. TO PARTIALLY COVER THE NATIONAL BUDGET'S DEFICIT, THE GOE HAS BEEN DIPPING INTO THE RESOURCES OF THE NATIONAL DEVELOPMENT FUND (FONADE), THE ACCOUNT SET UP TO DE-EARMARK AND STERILIZE DOLLAR OIL INCOME UNTIL IT COULD BE USED IN

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IMPORT-INTENSIVE DEVELOPMENT PROJECTS, A SITUATION NO LONGER PARTICULARLY RELEVANT. THE NUMEROUS QUASI-GOVERNMENT AND INDEPENDENT AGENCIES WHICH ALSO RECEIVE ALLOCATIONS FROM ECUADOR'S OIL EARNINGS -- SEE QUR A-52--ALSO HAVE BEEN FEELING

THE PINCH OF REDUCED OIL INCOME; BUT THEY HAVE APPARENTLY NOT HET HAD TO RESTRAIN THEIR CURRENT UNDERTAKINGS OR PLANS, BY AND LARGE, FOR THE PERVERSE REASON THAT THEY GENERALLY ARE NOT WELL-ORGANIZED ENOUGH TO PUT TO USE ALL THE FUNDS AT THEIR DISPOSAL.

D. THE SLOW-DOWNS IN THE GOE'S PAYMENTS AND DEVELOPMENTAL ACTIVITIES ARE EXPECTED TO END SOON, NOW THAT OIL EXPORTS ARE FLOWING AGAIN. INDEED, WE HAVE SOME SUSPICION THAT THE FINANCE MINISTER IN HIS RECENT STATMENTS HAS BEEN DELIBERATELY UNDERESTIMATING THE PROSPECTIVE IMPROVEMENT IN OIL EARNINGS AND REVENUES, IN ORDER TO STAVE OFF FURTHER REQUESTS FROM THE MINISTRIES FOR INCREASED ALLOCATIONS--REQUESTS THAT REPORTEDLY HAVE TOTALED SOME \$240 MILLION EQUIVALENT IN RECENT MONTHS, AND THAT HAVE BEEN FOR THE MOST PART TURNED DOWN (EVEN THE DEFENSE MINISTRY HAS FELT SOME OF THE PINCH--ALTHOUGH THIS WAS NOT A PERCEPTIBLE CAUSE OF THE ATTEMPTED COUP), WITH RESULTANT DISSATISFACTIONS SPEADING THROUGH THE RANKS OF THE BUREAUCRACY.

8. MONETARY SITUATION AND PROSPECTS.

A. EVEN APART FROM THE PROSPECTIVE IMPROVEMENT IN THE FOREIGN EXCHANGE POSITION, THE GOVERNMENT'S OVERALL CASH POSITION (BROADLY DEFINED) IS "FAT"--5,524 MILLION SUCRES IN THE CENTRAL BANK ACCOUNTS, OR THE EQUIVALENT OF SOME \$220 MILLION. EVEN DURING THESE PAST MONTHS OF 1975 SO FAR, THERE HAS BEEN LITTLE VARIATION IN THE GOVERNMENT'S NET POSITION IN THE CENTRAL BANK ACCOUNTS, AS DRAW-DOWNS HAVE BEEN ABOUT MATCHED BY BUILD-UPS. OFFICIAL GOVERNMENT DEPOSITS GREW AT AN ANNUAL RATE OF 50 PERCENT DURING THE FIRST HALF OF 1975, REFLECTING THE NOT UNHEALTHY STATE OF THE DOMESTIC ECONOMY AND ITS REVENUES TO THE GOVERNMENT. THE MONEY SUPPLY (DEFINED AS CASH OUTSIDE BANKS AND NON-GOVERNMENT DEMAND DEPOSITS) HAS SHOWN VIRTUALLY ZERO GROWTH IN THE LAST SIX MONTHS AND ON A SEASONALLY ADJUSTED BASIS CONTRACTED A LITTLE. NET CREDIT FROM THE CENTRAL BANK, PRIMARILY IN FAVOR OF THE NATIONAL DEVELOPMENT BANK (BNF) AND OTHER BANKS AND THE PUBLIC, ROSE BY ABOUT \$100 MILLION, CONFIDENTIAL

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THUS LARGELY OFFSETTING THE CONTRACTIONARY EFFECT OF THE FOREIGN EXCHANGE OUTFLOW. (HAD THESE CREDITS NOT BEEN MADE, THE DOMESTIC MONEY SUPPLY WOULD HAVE CONTRACTED NEARLY 20 PERCENT, WHICH WOULD HAVE DEPRESSED IMPORTS AND BUSINESS IN GENERAL.) THERE IS NO INDICATION HOWEVER THAT THE AUTHORITIES HAVE BEEN FOLLOWING A CONSCIOUS MONETARY POLICY; RATHER, GOVERNMENT SPENDING AND CREDIT DECISIONS HAVE INVARIABLY BEEN MADE WITHOUT REGARD TO THEIR EFFECT ON THE MONEY SUPPLY, ACCORDING TO AT LEAST ONE WELL-INFORMED SOURCE.

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COME-00 FRB-03 XMB-02 OPIC-03 LAB-04 SIL-01 AGR-05

OES-03 INT-05 FEA-01 TAR-01 NEA-10 /110 W

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R 022100Z SEP 75

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 7017

INFO: RUESGY/AMCONSUL GUAYAQUIL 7633

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B. PRICE INFLATION (AS MEASURED BY THE CPI FOR QUITO)
MODERATED IN THE FIRST HALF OF CY 1975. THE ANNUAL RATE
WAS DOWN TO 16 PERCENT, FROM 23 PERCENT FOR ALL OF 1974.
GOOD HARVESTS OF MAJOR CROPS WILL HELP KEEP DOWN THE
PRESSURES ON PRICES. THE LOW RATE OF MONETARY GROWTH SO
FAR THIS YEAR WILL PROBABLY CAUSE A FURTHER SLOWDOWN IN
INFLATION IN THE SECOND HALF OF THE YEAR, WITH POSSIBLE
REPERCUSSIONS ON BUSINESS ACTIVITY ALSO.

9. GENERAL BUSINESS CONDITIONS.

WE HAVE NO HARD EVIDENCE TO OFFER ON BUSINESS CONDITIONS
AT THIS TIME. THE ECUADOREAN ECONOMY HAS CONTINUED TO BOOM
DESPITE APPARENT SHORTAGES OF CEMENT AND SKILLED LABOR,
AND WITH SOME POCKETS OF STAGNATION SUCH AS THE TEXTILE
SECTOR. THE MINISTER OF FINANCE SPOKE OF UNEMPLOYMENT OF
MERELY 3.75 PERCENT AS BEING ONE OF THE STRONG POINTS OF THE
ECONOMY (BUT WE ARE NOT AWARE OF THE STATISTICAL FOUNDATION
OF THIS REPORT). TOTAL BANK LENDING TO COMMERCE AND
INDUSTRY CONTINUES TO GROW STRONGLY, EVEN WITH THE
SELECTIVE CREDIT CURBS INSTITUTED LAST MAY. BUT SOME BUSI-
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NESSMEN COMPLAIN OF PRODUCTION CUTBACKS AND LAGGING
ACCOUNTS RECEIVABLE.

10. FUTURE ECONOMIC POLICIES OF GOE.

A. THE RODRIGUEZ LARA REGIME HAVING SURVIVED THE
CURRENT COUP ATTEMPT, WE VIEW IT AS HAVING TWO MAIN BROAD
ALTERNATIVE OPTIONS IN LIGHT OF THE FACT THAT THE COUP
ATTEMPT WAS CLEARLY CONNECTED WITH THE DISCONTENTS OF THE
BUSINESS AND MERCHANT CLASSES: THE REGIME MAY DECIDE TO
TAKE BETTER HEED OF THOSE DISCONTENTS, AND THUS MAY
BECOME APPRECIABLY MORE RESPONSIVE TO THE CRITICISMS VOICED
BY THE PRIVATE SECTOR; OR THE REGIME MAY GO THE ROUTE OF
REPRESSION, TOSSING THE MORE OUTSPOKEN CRITICS INTO JAIL,
AND CENSORING THE ECUADOREAN PRESS. FROM WHAT WE KNOW OF
THE MENTAL MAKEUP OF PRESIDENT RODRIGUEZ LARA AND HIS
ASSOCIATES AND THEIR AWAKENING APPRECIATION OF ECONOMIC
REALITIES, WE EXPECT THEM TO TAKE THE FORMER OPTION. IF
THAT IS CORRECT, WE CAN THEN EXPECT THAT THE REGIME WILL
REFRAIN FROM IMPOSING FURTHER SIGNIFICANT CURBS ON CREDITS
OR IMPORTS SO LONG AS THE FOREIGN-EXCHANGE SITUATION DOES
NOT WORSEN DRASTICALLY. GIVEN THE MODERATELY HOPEFUL
PICTURE WE HAVE OUTLINED ABOVE FOR THE FUTURE OF THIS
ECONOMY, WE CAN EVEN EXPECT SOME LOOSENING OF CURRENT
RESTRAINTS NOT TOO MANY MONTHS FROM NOW.

B. CERTAINLY, WE BELIEVE, THERE IS LITTLE PROSPECT THAT
THE ECUADOREAN SUCRE WILL BE DEVALUED DURING THE BALANCE
OF THIS YEAR, NOR PROBABLY LONG THEREAFTER, BARRING SOME
UNFORESEEABLE ECONOMIC DISASTER. DEVALUATION WOULD TOUCH
OFF POLITICAL TREMORS EVEN GREATER THAN THOSE STILL
REVERBERATING FROM THE RECENT IMPORT SURCHARGES. WE
BELIEVE THAT THE REGIME WOULD RISK IT ONLY IF THE ECONOMIC
SITUATION DETERIORATED TO A POINT THAT MADE IT NECESSARY TO
DO SO, AND IF THE REGIME DECIDED TO TAKE THE SECOND OPTION
IN PARA A. ABOVE. THE SAME COMMENT APPLIES TO ANY OTHER
POSSIBLE DRASTIC RESTRAINTS ON IMPORTS OR CREDITS--WE SEE
VIRTUALLY NO PROSPECT FOR THEM FOR THE INDEFINITE FUTURE.

C. IN THE RECENT AND CURRENT BARRAGE OF CRITICISM AGAINST
THE GOE'S ECONOMIC POLICIES, THE CRITICS--NOT ONLY IN THE
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PRIVATE SECTOR, BUT IN THE PRESS AND IN OTHER NORMALLY PRO-
REGIME ELEMENTS AS WELL--HAVE BEEN UNANIMOUS IN DENOUNCING

THE REGIME'S HARSH TREATMENT OF FOREIGN OIL COMPANIES, AND
UNANIMOUS IN CITING THIS AS THE PRINCIPAL CAUSE OF THE RECENT
DECLINING IN ECUADOR'S ECONOMIC FORTUNES. FOR THESE REASONS
WE SEE SOME HOPE THAT THE REGIME WILL HEED THIS CRITICISM.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC PROGRAMS, ECONOMIC TRENDS
Control Number: n/a
Copy: SINGLE
Draft Date: 02 SEP 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975QUITO06475
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750303-0004
From: QUITO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750992/aaaaddlx.tel
Line Count: 444
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 9
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 QUITO 6429
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 13 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <13 AUG 2003 by MartinML>; APPROVED <01 DEC 2003 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ECUADOR'S ECONOMIC TRENDS, STATUS AND PROSPECT
TAGS: EALR, ECIN, EINV, ENRG, ETRD, EGEN, EC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006